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SUBJECT: ZAMBIAN COFFEE PRODUCTION: INFORMATION FOR THE U.S.
INTERNATIONAL TRADE COMMISSION

REF: A) SECSTATE 113452

B) LUSAKA 810

C) 06 LUSAKA 1421

11. (U) This cable provides background information on Zambia's coffee industry, in response to Ref A action request to assist the U.S. International Trade Commission in the preparation of its annual reports.

TEXTILES

12. (U) Please see previous reporting (Refs B and C) for information on Zambia's textile industry.

COFFEE: STATISTICS

13. (U) Coffee Sector Details:

Type of coffee produced:	Arabica
Main varieties grown:	SL28, F6, and Catimor 129
Production cycle:	7-8 years
Harvesting time (peak):	June/July
Method of processing:	Wet processing
Main export destination:	Europe, U.S., and Japan
ICO membership status:	Exporting member

14. (U) Coffee Producing Areas (Cultivated Hectares):

Southern Province:	975 hectares
Lusaka Province:	350 hectares
Central Province:	413 hectares
Copperbelt Province:	250 hectares
Northern and Luapula Provinces:	1,555 hectares
Total	3,543 hectares

(Note: This total reflects both mature and immature coffee fields.)

15. (U) Coffee Production and Exports (in metric tons):

Crop Year	Production	Qty Exported
April-March		
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1984/85	397	377
1985/86	618	598
1986/87	515	499
1987/88	450	432
1988/89	260	244

1989/90	1,313	1,294
1990/91	1,329	1,309
1991/92	1,792	1,772
1992/93	1,531	1,514
1993/94	1,582	1,536
1994/95	1,232	1,196
1995/96	1,580	1,544
1996/97	2,167	1,844
1997/98	2,627	2,285
1998/99	3,450	3,358
1999/00	2,200	2,180
2000/01	5,868	5,832
2001/02	5,000	4,531
2002/03	6,500	6,036
2003/04	6,500	5,811
2004/05	6,800	6,585
2005/06	6,500	6,017

(Source for data in paragraphs 3 through 5: Zambia Coffee Growers' Association)

COFFEE: GENERAL BACKGROUND

¶6. (U) Zambia is well-suited for irrigated coffee production, with favorable climatic conditions and abundant land resources. Low international prices, however, have discouraged commercial farmers from diversifying into coffee production. Other factors that restrain production levels are the strong Zambian Kwacha and high interest rates (making it difficult for farmers to expand or purchase equipment/machinery). According to the Coffee Board of Zambia, the sector is also held up by international trade barriers and insufficient resources to promote Zambian coffee abroad.

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¶7. (U) Total national production in the 2005/2006 crop year was approximately 6,500 metric tons. The 2006/2007 figure is not yet available, but the Coffee Board of Zambia estimates that exports for the period may have fallen to approximately 4,500 metric tons. This represents a significant decline from previous years, due in part to a drought in 2005. Some farmers have also experienced difficulties recovering their operating costs and have uprooted their coffee crops.

¶8. (U) Nevertheless, the Zambia Coffee Growers Association anticipates that this figure will rebound, rising to 10,000 metric tons by 2010, based on recent plantings and the Zambia Coffee Growers' Association's ambitious plans to expand out-grower schemes with small-scale farmers. A Coffee Board of Zambia representative told Emboff that the industry's target is between 15 to 20 thousand metric tons per year, in the specialty segment.

¶9. (U) A majority of the coffee exports head to European markets, primarily Germany, the UK, Switzerland, and the Netherlands. The remaining export markets include South Africa, Australia, Japan, and the U.S. Local sales of roasted coffee account for less than 10 percent of total Zambian coffee production. Terranova Coffee Estates of Mazabuka has become the newest addition to Starbucks' line of high-end "Black Apron" coffees. In 2006, Terranova sold 108 tons of coffee to Starbucks. Colin Street, the owner of Terranova Farm, stated that without USAID assistance, his coffee would never have reached high-value markets such as Starbucks.

COFFEE: PRODUCTION

¶10. (U) Zambia produces Arabica coffee from plant seedlings that are raised in on-farm nurseries. The coffee consists of two categories, conventional varieties and semi-dwarf varieties, and is harvested between March and July. The freshly picked coffee cherries (red-hulled beans) are mechanically hulled, washed and sun-dried on wire mesh trays. Many of the farmers endeavor to apply progressive agronomic techniques, including prudent water usage, crop protection

and nutrition, "fertigation" (fertilizer in irrigation water) composting of coffee pulp, biological pest control, and the promotion of biodiversity.

¶11. (U) Large scale producers benefit from GRZ agricultural incentives, such as VAT rebates, capital equipment purchase discounts, and electrical rate reductions. Small-scale farmers or outgrowers who do not register as agricultural enterprises are not eligible to benefit from the agricultural incentives. Commercial borrowing is not easily or widely available. Some banks have begun to introduce agricultural loans, although the rates are not yet competitive.

¶12. (U) The coffee sector provides employment to more than 2,100 permanent staff. Seasonal employment during the harvest season provides a further 18,000 jobs. There are approximately 75 large-scale and 520 small-scale farmers who grow coffee in Zambia.

COFFEE: INDUSTRY INSTITUTIONS

¶13. (U) The coffee industry is relatively well-organized in Zambia, with functioning structures and institutions to support its growth. The Coffee Board of Zambia, a statutory government agency, is the primary regulatory body. The Board oversees the growth of the coffee sector, ensures the equitable distribution of GRZ resources to small- and large-scale commercial farmers alike, and markets Zambia's coffee brand/image overseas.

¶14. (U) The Zambia Coffee Growers' Association (ZCGA) is the operating wing of the Coffee Board, which provides coffee extension services and ensures quality control. It also provides administrative, milling, warehousing, and shipping services to its members and has the sole responsibility for export sales. ZCGA members who meet certain criteria may conduct their own independent marketing; however the ZCGA handles the logistics for all exported products. The ZCGA is wholly owned and funded by its members (coffee growers).

COFFEE: USAID ASSISTANCE

¶15. (U) USAID/Zambia has worked closely with ZCGA and the Zambia Coffee Board to facilitate the country's membership in the Eastern African Fine Coffees Association. This has resulted in increased exposure to international markets and has lead to higher quality and, consequently, higher prices for Zambian coffee. USAID has supported the attendance of coffee producers to industry trade shows

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in the United States, Europe, and Japan. USAID has also furnished expert technical assistance in production and processing technologies, tasting, coffee preparation and marketing. As a result of U.S. assistance, Zambian coffee growers have recorded significant growth in sales to these specialty markets.

COFFEE: CONTACTS

Mr. Andrew Hamaamba, Board Chairman, Coffee Board of Zambia, P.O. Box 90794, Lusaka. Tel/Fax: 260-21-125 2850; Email: coffee@iwayafrica.com

Mr. Ben Zimba, Board Secretary, Coffee Board of Zambia, P.O. Box 90794, Lusaka. Tel/Fax: 260-21-125 2850; Email: coffee@iwayafrica.com

Mr. Joseph Taguma, General Manager, Zambia Coffee Growers Associations, Plot 7138, Mwembeshi Road, P.O. Box 35388, Lusaka. Tel: 260-21-128 6447; 260-21-128 6972; Fax: 260-21-128 7654; Email: jtaguma@zcga.co.zm and zcga@zcga.co.zm

Mr. Collin Street, Terranova Farms limited, P.O. Box 670128,

Mazabuka. Tel/Fax: 260-21-323 0365; mobile: 260-97-779 4423

Mr. Willeim Lublinkhof, Mubuyu Farms Limited, P.O. Box 33063,
Lusaka. Tel/Fax: 260-21-125 4141; mobile: 260-97-777 0278

Mr. H. Von Pezold, Kasama Coffee Company, P.O. Box 410208, Kasama.
Tel: 260-21-422 1591; Fax: 260-21-122 1887

Dr. Stephen Mulikela, Director, Golden Valley Agricultural Research
Trust, P.O. Box RW 50834, Lusaka. Tel: 260-21-121 3739; Fax:
260-21-121 3832; Email: gart@zamnet.zm

Mr. Likando Mukumbuta, Executive Director, ZATAC Limited, Private
Bag 207, Woodlands, 191A Chindo Road, Lusaka. Tel: 260-21-126 3512;
Fax: 260-21-126 3502

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The primary contact person for Embassy Lusaka is:

Name: Mikael Cleverley
Title: Political/Economic Officer
Email: CleverleyMX@state.gov
Phone: +260-1-250-955
Fax: +260-1-252-225

MARTINEZ